

# GLOBAL TRAVELLER

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Alliances are becoming as important for passengers as for airlines

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False dawn: calls by travel operators for relaxations in security measures at airports may well be ignored following the security alerts in the UK and Dubai in October

Alamy

## Alert throws revival in doubt

**Roger Blitz** considers how the discovery of explosive devices on cargo flights is likely to affect the business travel sector's recovery

**I**s the revival in business travel about to be halted just as it was beginning to gather a head of steam?

The air cargo security alert triggered by the discovery of two parcel bombs in the UK and Dubai has left those involved in the business of business travel shaking their heads. The recovery in business travel looked like it was just too good to be true.

Airlines had been enjoying a noticeable uplift from the return of the business traveller to the

skies. Fares were rising, profits were coming back, share prices were "still on the way up", said the International Air Transport Association in its financial monitor for September and October.

Business travel bookings allowed British Airways to post its first profit in two years. BAA, the airports operator, cut losses on the back of buoyant business travel numbers. Hotel groups from InterContinental Hotels Group and Marriott to Starwood and Wyndham all welcomed the

return of business travellers in significant numbers.

The sunny uplands for business travel were brightened even further by trenchant comments about unnecessary layers of airport security emanating from Martin Broughton, BA's chairman, at an airport operators conference last month.

Everything from making passengers take off their shoes to the carrying of liquids and separate checks for laptops was in Mr Broughton's sights. The aviation

industry united in welcoming this seemingly enlightened thinking. They wanted more – a one-stop security system to avoid duplication between different regulators was one suggestion.

But any thoughts the climate was ripening for a relaxation of travel rules were rudely dispelled by the security alert, even though the apparent security gaps highlighted by the UK and Dubai discoveries related to cargo.

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## Alert throws recovery in doubt

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The immediate response to the security alert has been cautious. "We do not foresee any immediate impact on passenger travel as a result of the cargo jet bomb plot," said Colin McSeveny of Smiths Detection, which makes technology to uncover explosives and other materials.

American Express said there had not yet been any disruption to business travellers, though it advised them to "remain vigilant". David Forder of Flight Centre, the travel retailer, also plays down the likely effects. "Longer check-in and security procedures have become the norm," he said.

Mr Broughton's comments, however, looked unfortunately timed, coming three days before Barack Obama, US president, made the announcement of a "credible terrorist threat" following the discovery of the packages.

BA said its chairman's comments "still stand - they haven't been changed or adapted". But, unsurprisingly, BA did not think the time was right to elaborate on them.

The response from the US Department of Homeland Security was to step up security measures. "Passengers should continue to expect an unpredictable mix of security layers that include explosives trace detection, advanced imaging technology, canine teams and pat-downs, among others," the DHS said.

It is not just the hassle that will increase. Within days of the air cargo alert came familiar warnings about the cost of extra security measures falling unfairly on airlines, which means fares will rise.

But these are the short-term responses. In the medium term, aviation regulation officials say, the air cargo security gaps point to a potential shift in the terrorist threat and that should prompt a rethink in passenger security.

Giovanni Bisignani, chief executive of IATA, said at an aviation security conference in Frankfurt last week that the 40-year-old airport screening process needed modernising. "Belts, shoes and shampoos are not the problem. We must shift the screening focus from looking for bad objects to finding terrorists," he said. "To



Catch all: the US is examining a technology-based solution for screening different liquids AFP

do this effectively, we need intelligence and technology at the checkpoint. The enormous amount of data that we collect on passengers can help governments to identify risks. The overall process must become much quicker and more convenient. It is not acceptable to treat passengers as terrorists until they prove themselves innocent."

In six months European airports will begin phasing out the restriction on liquids, to be completed by April 2013. From the US perspective, there is acknowledgement that "security cannot bring business to a standstill", as John Pistole, administrator of the Transportation Security Administration, said at the same Frankfurt conference. The US security strategy revolves around the roll-out of body scanners.

The US is also examining a technology-based solution for screening liquids, such as scanners that distinguish between different forms of liquid.

In remarks that echoed Mr Bisignani's sentiment, he also recognised that the "cookie-cutter approach for everybody" was not the future. "The bottom line is that the future must be focused on providing the best possible security for travellers in a way that provides greater scrutiny to those who need greater scrutiny," he said.

Even without the latest alert Mr Broughton's remarks would not have led to the layers of airport hassle being stripped away soon. But paradoxically it may yet force the authorities to consider whether each and every layer continues to serve a purpose.

'We must shift the screening focus from looking for bad objects to finding terrorists'

# Subsidy debate has airline boss in a spin

## The Interview Tim Clark

### Roger Blitz talks to the Emirates Airlines president

Tim Clark is tired of saying it, but will say it as many times as is necessary. Emirates Airlines is not subsidised by Sheikh Mohammed bin Rashid al-Maktoum, the ruler of Dubai, and it generates its own cash for investment in its fleet.

"The biggest form of subsidy for airlines is aeropolitical protection," says the Emirates Airlines president who was one of the founding team of 10 executives when Sheikh Mohammed decided to launch the carrier in 1985. "The French, Germans and British all had that in their formative years, they kept people out of their markets," says Mr Clark, who began in aviation nearly 40 years ago with British Caledonian.



'He was absolutely clear: "You don't come to me for money. You will buy your own aircraft." And we have done ever since'

"I was here seven months before it was formed. I know what we did and how we did it," says Mr Clark.

"When we formed, [Sheikh Mohammed] said, 'I'm going to keep the skies open'. And that's how we grew. So the notion that we are subsidised - it's a horse that's been fogged for 25 years."

The government-owned airline, one of the Dubai's corporate star performers amid a collection of debt-riddled operations, is once again getting up the nose of its rivals. Last week it reported a fourfold rise in half-year profits, while its passenger seat factor - the number of seats available divided by the number of passengers - rose more than 80 per cent. It carried 15.5m passengers and there was a 2.6 per cent increase in premium seats.

It is adding to its 12 existing A380 superjumbos,

with a further 78 on order, each of which costs about \$350m, and since April it has opened six new destinations, four of which are passenger operations to Amsterdam, Dakar, Madrid and Prague.

Its overall fleet of 151 aircraft is set to more than double with total aircraft orders of \$68bn. But its European and US rivals want their governments to curb export subsidies they claim are enabling airlines such as the Emirates to finance aircraft purchases cheaply.

Last month Ottawa denied landing rights to Emirates and Etihad after Air Canada protested they were taking its business. In response the UAE declined to renew Canada's lease on a Dubai airbase.

All of this has reignited the subsidy debate, to the exasperation of Mr Clark, who likens it to a school playground argument. "If the Canadian government has concerns in Canada, that is a position we respect," he says. "I hope sense will prevail."

One key element of the Emirates business model is for passengers to reach their destination in one journey. "If you have to make a stop in Europe en route to the US west coast from Dubai, you get an inevitable wait and people don't want that," he says.

He predicts Emirates will build up a fleet to fly long-range routes of up to 18 hours. "That's what the business community wants, provided we give them the comfort they need, flat beds, and eating when they want to eat," he says. "Watch this space."

Mr Clark spoke to the Financial Times before Qantas grounded its A380 fleet following engine problems last week. He says he is delighted with the pulling power of the aircraft, which have engines made by different manufacturers from those of the Qantas fleet.

Attractions include first class shower spas, a lounge and bar that is becoming a business networker's meeting place, flatbed suites, plus its ICE entertainment system - which allows you to check your flight progress, make calls, or watch the news and films, and which has become something of an industry benchmark.

Emirates' expansion is also creating business opportunities where they did not previously exist, he claims. "We are going to where the markets are or are likely to be in the future. People start travelling to places where

they didn't think there was business," he says.

It is rich, he argues, for European carriers to moan about the Emirates eating into their business when they did not have the business in the first place. "Ask business people in Newcastle and the north-east of England how we transformed a lot of the

way they did business. In the old days, they tried to get to Indonesia or Africa in a convoluted way. Ask them how Emirates has aligned what they want with our services to Newcastle."

The moment the business traveller stops demanding new routes is the moment to worry, he says.

Since the subsidy question will not go away, Mr Clark details the support that got Emirates flying. In 1985 Sheikh Mohammed gave Maurice Flanagan, the airline's first managing director, \$10m. "He said, 'Go and set up the airline.' He gave us two 727s from the Dubai Royal Air Wing and built a

training facility. In total it worked out at \$50m," Mr Clark says. "That's all we have had. And he was absolutely clear: 'You don't come to me for money. You will buy your own aircraft.' And we have done ever since." As Emirates continues to grow, it is a story Mr Clark will probably have to retell.

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The Citation MUSTANG



**Business Class** Serviced apartments

More executives are opting for the home-from-home experience offered by serviced apartments.

At the highest level, these combine all the comforts of home with the benefits of a five-star hotel. The best are lavish, fully equipped with high-quality kitchens, spacious bedrooms and spa-style bathrooms.

"There are lots of reasons to choose a serviced apartment," says Ascott, one of the biggest global names in serviced apartments and corporate housing with a portfolio spanning more than 70 cities across 22 countries. "You can invite people in, have your family there and enjoy a flexibility that hotels can't always achieve."

Ascott, which also operates the Somerset and Citadines brands, has 20,000 serviced residence units in Europe, the Asia-Pacific region and the Gulf, with a further 6,000 units under development globally.

Ascott says flexibility is at the core of its culture. While some providers insist on long minimum stays, its clients can book any duration from one night to 10 months on a sliding rate scale. Last year, it launched a loyalty club for serviced apartment bookers which, it says, is a European first.

In the UK, figures from the Association of Serviced Apartment Providers show that demand continues to grow at an encouraging pace, with London occupancy averaging 90 per cent in the third quarter, 4 points up on the second.

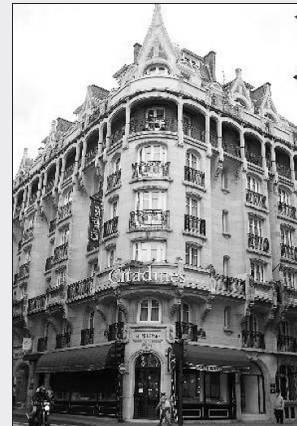
For the rest of the UK, the overall occupancy in the third quarter was 75 per cent, a 5 percentage point increase on the second quarter. The average net weekly rental for London was £876, 2.5 points up on the previous quarter. For the rest of the UK, the average net weekly rental was £600, 1 point up.

Cheval Residences owns properties in London's poshest addresses, including Chelsea, Hyde Park Gate and Knightsbridge. It says the year's most obvious trend has been the short notice for securing accommodation.

It comments: "It is not uncommon now to receive calls from clients needing accommodation in a few days' time for stays of up to six months."

Go Native, provider of temporary housing solutions in the UK, Europe, the Middle East, Africa and India, notes in its 2010 London serviced apartment report that rising demand is being fuelled not just by corporate travellers; the sector's profile is growing among leisure travellers.

It says corporate demand



Citadines Louvre, Paris

for serviced apartments is shifting from prime central to less expensive secondary locations in response to the need to reduce costs and is also moving towards smaller unit sizes and shared occupancy.

SACO Apartments, provider of 12,000 units in 35 countries, says it can foresee the time when apartments are as popular as hotels.

Jo Redman, its sales and marketing director, says: "In comparison to 2009, the market has seen tremendous buoyancy, particularly in London, where SACO has expanded rapidly to meet heavy demand."

She adds that SACO has also seen growth in other UK cities, such as Manchester, Birmingham, Bristol and Glasgow. Compared with the number of hotel rooms offered worldwide, the service apartment sector is still tiny. But a growing number of luxury hotel groups are choosing to build or manage serviced apartments alongside their existing hotels.

One example is the Leela Kempinski Gurgaon in Delhi, India, which opened 90 serviced residences last year. Its services include daily housekeeping, on-site parking, round-the-clock security and maintenance, a babysitting service and an on-call doctor.

Residents have access to complimentary and discounted hotel facilities such as the fitness centre, spa, business centre and private meeting rooms.

Brian McGuinness, senior vice-president of Starwood's specialty select brands, including Aloft, Element and Four Points by Sheraton, says: "Serviced apartments are a natural extension of our business. Apartment users need dry cleaning, laundry services, internet, and a place to sleep."

"In emerging markets, stays of 30, 40, 60 and 90 days still remain popular, but better connectivity and communication has reduced that length of stay in more mature markets."

**Jill James**

# City of churches and capital of wine

## Business hubs

**Jill James** on what to do and where to stay in Cologne and Bordeaux

## Cologne

Cologne is a great place to do business, a friendly relaxed city with good nightlife and wonderful beer. It has not made many friends this autumn, however, by announcing a culture tax on hotel guests, and a hefty one at that (5 per cent of your hotel room price). This could prove a disincentive to independent business travellers.

### Where to stay

Most business travellers will probably find themselves in the Maritim Hotel at some point – it has extensive meetings and conference facilities and a great location. If you plan to stay there book a room at the top of the hotel overlooking the

Rhine, the rooms are larger and have great views. The atrium and piano bar are fun evening meeting places.

The business-friendly Excelsior Hotel Ernst is close to Cologne Cathedral and other city sights. Amenities at this five-star include a business centre, meeting rooms for small groups and a limo/town car service. Guests also have access to an airport shuttle (for a charge).

### Where to eat

Beer and coffee culture is big in Cologne. There are more than 20 local breweries that produce Kölsch, a light and slightly bitter brew that is served in astonishingly small 0.2 litre glasses called *Stangen*. Your German hosts will almost certainly take you to their favourite beer hall but, if you venture out on your own, Brauhaus Sion in Unter Taschenmacher and Fruh am Dom in Am Hof are great value for food, beer and atmosphere.

For coffee, I love Café Fleur in Lindenstrasse, which has the most delicious cakes. Friends recommend Peer One in



Holzmarkt in the Rheinauhafen quarter.

One of the city's most famous restaurants is the Börsen-Restaurant, in Unter Sachsenhausen, which also has several meeting rooms. Trendier friends recommend Fischermanns at Apropos Concept Stores – a good restaurant in a high-class fashion shop. Wein am Rhein is a nice local restaurant in Johannisstrasse.

### Getting around

Cologne is a fairly compact city with plenty of trams and buses. The city transport system is part of a regional network and you can buy tickets valid for the whole

system. Taxis and minibuses are readily available and if you are doing business in the region you can pick up a hire car from the airport.

### What to do

Cologne is a city of churches. Soaring above them, with its two 157m spires, is the cathedral. It has been the city's landmark for centuries.

Within the boundaries of the old medieval city wall are 12 large Roman collegiate, monastery and convent churches.

Opera is good value – tickets cost between €11 and €50 – www.buehnenkoeln.de. Or you could catch Die Zauberflöte (The Magic

Flute) on various dates in December at the university assembly hall (www.operkoeln.com). One real must-visit location is the Philharmonic concert house: www.koelnmusik.de.

Nightlife is pretty good in Cologne. If you want a gay club, an Eighties bar or simply a bar with music there is plenty of choice. You will also find lots of bars and nightclubs in the Frisian Quarter.

## Bordeaux

Bordeaux, world capital of wine, World Heritage Site, famed for its fine foods and excellent shops, boasts a good quality of life. The



heritage site covers half the city and its open spaces are a pleasure.

**Where to stay**  
Seeko'o means iceberg in

**Top: the twin spires of Cologne Cathedral have been the city's landmark for centuries. Above: the Grand Théâtre Bordeaux**

Dreamstime

Inuit – an odd name for a Bordeaux hotel. It is meant to suggest the building's clean lines and immaculate appearance. Spacious, light and practical, the hotel has a well-equipped business centre and top-class amenities. Try a glass of Bordeaux in the ground floor bar terrace or the upstairs international bar.

The Regent Grand Hotel Bordeaux, in the city's heart, is a majestic building with 150 rooms and suites. A popular and spectacular space for meetings and events.

For something more intimate, try the centrally located La Maison Bord'eaux (sic), a luxury boutique hotel with a seminar and meeting room.

If these prove beyond your company budget, the city has more than 10,000 other rooms.

### Where to eat

It would be a shame not to take one of the many wine tours. Across the road from the tourist office there is a good wine bar underneath the headquarters of the Bordeaux Wine Council.

There are 13 Michelin-starred chefs in Bordeaux, so finding a decent meal or somewhere to entertain clients should not be a problem.

On the outskirts, a favourite with the well-heeled is the Relais & Chateaux Le Saint-James, where the Michelin-starred Michel Portos commands the stoves. More central is Chapon Fin. For calm and quality there is Pressoir d'Argent, which has a €34 lunch menu. For cocktails the Regent's Le Victor Bar is popular with the business community.

### What to do

You may like to stroll in the squares of old Bordeaux, with their craft shops and café terraces. The Saint Michel district and the Sunday morning flea market are also a lot of fun.

The so-called Bordeaux Triangle has a popular market and luxury boutiques. Culture vultures will want to visit the cathedral and the two basilicas that form part of the World Heritage Site and there are also plenty of museums.

The Chartrons quarter by the Garonne is famous for antique dealers and is a fascinating place.

The Quai des Chartrons is lined with the former offices and warehouses of the traditional Bordeaux wine merchant families – l'aristocratie des bouchoirs (the cork aristocracy). Today the area buzzes with cafés, craft workshops and is a sought-after residential area. It is also home to Bordeaux wine museum.

For plays or opera the Grand Théâtre has a diverse schedule with accessible prices. For example, you can listen to a Beethoven sonata recital from as little as €8 in December.

Gamblers can spend their evenings at the Casino Barrière in Bordeaux Lac. A passport is needed for the formal gaming rooms. There is usually live entertainment on Fridays or you could just eat in the brasserie or restaurant and people-watch.

Chez Greg is a restaurant on the Garonne quayside that has a DJ on Saturday nights. Also popular is La Dame de Shanghai, a restaurant, bar and disco on Quai Armand Lalande.

**Business Etiquette** Language learning

Imagine you are watching a drama in Spanish, the language you are studying. The story switches to a café. Suddenly, a waiter on the screen turns to you to take your order. You rack your brain for the correct response.

This is what users of an online BBC Spanish course are asked to do. The corporation is rolling out its digital language services and next year sees an Italian drama in which you will be the protagonist in a mystery story and can change the outcome by your participation.

There is a much wider choice of materials for learning a language these days. A business traveller can rush to the airport armed only with a laptop and an MP3 player and download a host of tools while in the business club lounge.

Martin Peacock, London-based director of global product development at the British Council, the government body that promotes the English language and culture, says:

"I think 'more convenient' is probably a better term than 'easier' to describe the current situation. A lot of companies see themselves as having the magic bullet, but learning a language is as hard as it's ever been."

Mr Peacock warns of "the wow factor" – the pleasure of learning a language because it involves snazzy technology. This effect "only lasts so long".

Naturally innovators in language learning hope their technological breakthroughs go beyond the wow factor.

One innovation is Livemocha, a website with more than 6m users. Set up in Seattle in 2007, it allows people to language exchange with whoever is on the site through both speaking and typing.

It gets around the common gripe among businesspeople that even for a regular traveller to a foreign city, the constant stream of appointments and cancellations during a hectic trip makes it hard to fit in face-to-face meetings with an exchange partner.

HarperCollins, the publisher, has teamed up with Livemocha to offer the learning materials for a paid-for course on the website. Users submit work to the Livemocha community to be corrected by native speakers who are not teachers.

Livemocha also has a partnership with Pearson, which owns the Financial Times. Users of Berlitz Virtual

Classroom, run by the global language teaching company, can have more conventional one-to-one or group lessons online. Headset-wearing learners look at learning materials on the screen and speak into the computer. Responding to the suggestion that true fluency can only be achieved through face-to-face lessons, Peter Niklai, director of BVC in Tokyo, says: "People have achieved fluency using BVC."

He says the virtual group lessons are convenient for "corporate customers, whose employees work at different sites", but realises that the airports with their "background noise" offer less than perfect conditions.

You can always learn on the aircraft. Catherine Whitaker, language learning publishing director at HarperCollins, says it has added an interactive element to CD and book packages. This allows the traveller to do exercises that are also on the internet.

This versatility gives students the ability to choose how much they use the book and CD, and how much they study online.

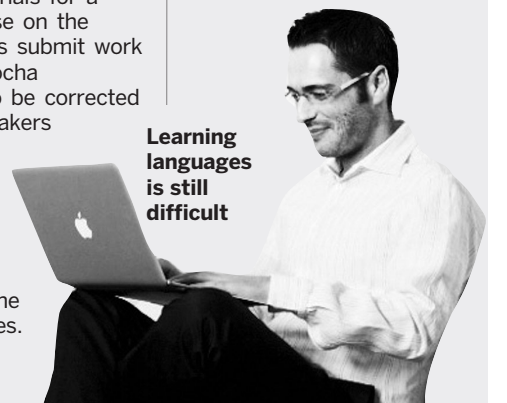
Justifying these "hybrid courses", Ms Whitaker says that if you are reading a language book, "the air hostess isn't going to say, 'can you switch that off?'"

Do we still need to learn languages anyway in an age when services such as Google Translate and Yahoo's Babel Fish can translate anything on the web instantaneously?

Google also has a device for smartphones that allows a user to say a sentence in their own language into the phone, which will translate it and say it in another language for them. The person they are speaking to can use it too. Jeff Chin, product manager of Google Translate in Kirkland, Washington, emphasises that the facility is still "experimental", and it would be difficult "to have a conversation without constant stopping".

Mr Chin says Google is improving its translation services, but adds: "I don't think it will be at a point where it would replace a human interpreter."

**David Turner**



Learning languages is still difficult

# From delays to fold-out trays: sites that let you vent your spleen

## Executive Guide

**David Turner** casts an eye over some of best blogs that are aimed at weary business travellers

A rash of travel blogs is springing up that care less about cultural enrichment and more about the ins and outs of business travel, including the three eternal questions of all executives on the move: "How do I get to my destination on time?" "How do I not damage my bag getting there?" "Will I be able to get free WiFi when I've reached it?"

Some of these blogs are run by business travellers and encourage their fellow wayfarers to post their

views if they are stuck at the airport, while others are larger-scale corporate operations that compile handy surveys of the "best" and "worst" of any service for harassed voyagers to scrutinise.

Crankyflier.com is the website of choice for business travellers focused on airports and airlines. If you read crankyflier.com every week – and if you are a frequent flyer twiddling your thumbs in airport lounges a few times a month – you will not only have time to do so, but you will soon learn which airlines have the most comfortable and most painful seats, as well as the minutiae of which airports have the most delays.

A perfect example of the penetrating, chart-heavy analysis of "Cranky", an US ex-airline employee named Brett Snyder, can

be found in his October *magnum opus* on delays at San Francisco airport.

Cranky uses a graph to prove the point that San Francisco bucks the trend among airports, since its arrivals are far more likely to be delayed if they are due in the morning than in the afternoon.

As the site says: "The strangest thing about all this is when flying to San Francisco, you should throw all other advice out the window. What do people usually tell you? Fly in the morning to avoid delays, right? Not to San Francisco." His explanation is the city's fog, which tends to clear later in the day.

The San Francisco posting generated 32 comments, mostly of business travellers swapping views on the merits, demerits and how-tos of using the airport.

If, despite all your travel tips gleaned from websites, you still find yourself stranded at an airport because of a delayed flight, you can fall back on latdeparture.com, which styles itself as the blog giving advice on "things to do when your flight is delayed". It is written by "Tom", a business traveller who works for the airline industry and voyages around the world from his home in Australia.

In addition to Tom's latest observations, latdeparture.com includes location-by-location guides of how to get the best out of various airports, should you be stuck there with time on your hands. This follows the practical course of focusing on the airport itself, rather than the adjoining city.

For example, latdeparture waxes lyrical about the aesthetic pleasures

of London Heathrow Terminal Five's B Gates satellite complex – "terminal with a view". The same blog includes a comprehensive discourse on the advantages and disadvantages of going straight there versus remaining longer in the main part of Terminal Five – "there is one very distinct advantage of the satellite: it is quiet".

HotelChatter.com concentrates on the luxury hotels where business travellers are likely to be staying rather than the mechanics of getting there. Run by Condé Nast, the publishing company, it has the professional feel of a site run by a corporation.

As a result it lacks the endearing eccentricities of travel blogs operated by one-man or one-woman bands. What these offer is the sense that any aggrieved business travel-

ler can pour out their venom and, by doing so, is having a one-to-one conversation with the blogger.

Indicating a finely-tuned sense of what business travellers really care about, HotelChatter includes its sixth annual hotel WiFi report. This praises chains such as Holiday Inn that offer it gratis, but also contains a list of hotels that still charge for it. It concludes: "The hotel WiFi world is still confusing, incongruent, and unreliable."

A separate list of the 10 best geek hotels for 2010 praises the City Centre Las Vegas for its all-in-one control panel (displayed in a video on the site). The console, which will strike a chord with the many business travellers who have spent ages searching for all their hotel room's relevant remote controls and buttons, contains a good night button

that will turn off the television and lights, close the curtains and activate the external do not disturb sign.

Travel-babel.com is ideal for those who want a mix of information – pitfalls to avoid, local colour to seek out – on particular cities that could be visited for a bit of diversion and it is written by Claire Walter, a US travel writer.

The site blends blog postings such as "German hotels charge big-time for connectivity" with a positive review of the touristic appeal of Baden-Baden, taken in after Ms Walter arrived in Germany for a business conference.

The website also contains a forensic analysis of the width, and even the quality, of tray tables in a new type of airline seat, a trait of the more practical travel blogs.

# Team work helps fuel the wings of change

## Airline alliances

Membership is on the increase but some see them as anticompetitive, writes **Jill James**

As the “wings of change” glide through the airline industry, alliances are becoming increasingly important for passengers as well as carriers.

Airlines that are in alliances are keen to trumpet the wider benefits – and they can be substantial. But carriers that feel they are too small – or too big – to join an alliance worry that, far from helping the consumer, alliances will prove anticompetitive.

Globally, there is a clear trend towards building and strengthening alliances, strategic and otherwise. Alliances are almost certainly here to stay.

Put simply, airline partners see enhanced profit opportunities and new markets beckoning, while consumers hope for better flight scheduling and better value.

The air transport industry is one of the world's most regulated and restrictive industries. While domestic deregulation and liberalisation continue apace in some markets, in others they barely exist.

Airlines need networks to be as big as possible to benefit economically and meet consumer demand. For this, they need foreign partners. But – and this is where the problems lie – ownership restrictions do not generally allow for cross-country mergers or takeovers.

This is where alliances come in. They provide a way to get around everything from bilateral agreements to licensing and control regulations. Carriers envisage the great blue sky – supposedly – of global free trade in aviation.

But not everyone is enthusiastic about this brave new world. Edmond Rose, director of commercial planning for

Virgin Atlantic, says: “We continue to be an independent carrier and have no plan to join an alliance at present. We are very confident of our business and future growth strategy and do not need to be part of a global alliance to ensure success. We will continue to work with bilateral airline partners to offer a wide range of destinations and excellent frequent-flyer programme benefits.”

Emirates is another airline that is unlikely to seek alliance membership. This is partly because it believes it can generate enough growth to go it alone. The location of its Dubai hub is crucial – it is seven hours or less from dozens of the world's main cities.

It says: “Emirates has never belonged to, nor has any plans to join, an alliance. We see them as anticompetitive, and believe membership would be a brake on our own business plans of increasing choice of services to our customers worldwide.”

It adds: “Competition is good for travellers, and the growing consolidation in the airline industry, much of it centred around airline alliances, is increasingly stifling consumer choice.”

As Emirates' aircraft order book shows, it has no intention of taking a back seat to competitors.

Willie Walsh, BA's chief executive, would disagree. Last month British Airways, Iberia and American Airlines announced a tie-up of their transatlantic businesses. The three were already part of the One-world alliance, but this has taken co-operation to a new level.

Mr Walsh says there has never been as much choice or competition as there is now and the BA, AA and Iberia tie-up will enhance that.

AA, BA and Iberia say the new pact allows them to compete better with United Airlines' Star alliance and Delta Air Lines' SkyTeam Alliance, which already have similar joint transatlantic business agreements in place.

Edmond Rose, director of commercial planning for

Virgin Atlantic, says that alliances make travelling to



Link-up: sticking to flights with members of one alliance can earn passengers lots of perks

more places easier and the linking of networks offers truly global capability.

It adds: “The airline industry is supervised incredibly tightly and adheres very closely to competition law. A lot of competition studies show that alliances are good for consumers and help them find better air fares and portfolios of tickets.”

“Alliances strengthen airlines' ability to offer more route frequencies than if they were working solo.”

One-world points to the

Barely a month passes without someone planning to join – or switch – alliances

new routes announced at the time of the AA, BA, Iberia tie-up. BA is to relaunch the London Heathrow to San Diego route, Iberia is to launch Madrid to Los Angeles and American is launching New York JFK to Budapest and Chicago to Helsinki.

One-world says: “BA flies to 150 destinations but thanks to its links with us that will expand to 900 destinations in 150 countries.”

One-world says it enables its member airlines to offer services that are beyond the reach of any individual air-

line's network. Consumers can earn miles in their own programme whenever they travel on eligible flights and fares of any One-world alliance airline.

Qualifying flights will also count towards advancing or maintaining tier status. When passengers are ready to redeem miles, they can do so across nearly 700 alliance destinations worldwide.

Adrian Woodward, director of group and industrial supplier relations at HRG, the travel management company, says the benefits of alliances to businesses are a much larger choice of flight times, easier connecting journeys, frequent flyer schemes and the alignments of such areas as baggage allowances.

But, he says, where the airline picture starts to look very interesting is on the matter of transatlantic joint ventures.

“Because airlines have secured antitrust immunity they can then set schedules and pricing between them.”

He says he hopes the cost savings from the AA, BA and Iberia tie-up will be passed on to the customer.

He adds: “With all the changes in the airline sector, now is the time for companies to review their airline corporate supply programmes.”

“Companies need to ensure they have sufficient choice and which carriers

to use on their key routes.”

In terms of small and medium-sized enterprises, he says, HRG will use its buying power to get the best deals for its clients through programmes targeted specifically at the sector.

Sticking to one alliance can earn passengers a lot of perks. Elite status on one airline within an alliance usually gives fliers benefits on all other airlines within the grouping. All the alliances list their benefits on their web sites.

One example: frequent fliers with Star alliance can use United Airlines miles as well as Lufthansa tickets, enjoy the elite status that they may have had with United Airlines and enjoy faster check-ins.

Barely a month passes without someone planning to join – or occasionally threaten to switch – alliances.

For example, in September, China Airlines, the Taiwan flag-carrier, announced the start of a joining process that will lead to full entry into the SkyTeam airline alliance. This is expected to be completed by mid-2011.

The announcement comes just a few months after China Eastern signed an agreement to join SkyTeam. The addition of China Airlines will complement that of China Southern, strengthening SkyTeam in greater China.

However, growth in India, China and South America is such that it is hard to predict how the world's airline alliance map will look in 10 years – or what the balance of consumer benefits will be.

## Big alliances

**Star Alliance**  
www.staralliance.com  
Adria  
Aegean  
Air Canada  
Air China  
Air New Zealand  
ANA  
Asiana Airlines  
Austrian  
Blue1  
Bmi  
Brussels Airlines  
Continental Airlines  
Croatia Airlines  
Egyptair  
LOT Polish Airlines  
Lufthansa  
Scandinavian Airlines  
Singapore Airlines  
South African Airways  
Spanair  
Swiss  
Tam  
TAP Portugal  
Thai  
Turkish Airlines  
United  
US Airways

**Oneworld**  
www.oneworld.com  
American Airlines  
British Airways  
Cathay Pacific  
Finnair  
Iberia  
JAL Japan Airlines  
LAN  
Malév Hungarian Airlines  
Mexicana  
Qantas  
Royal Jordanian Airline

**SkyTeam**  
www.skyteam.com  
Aeroflot  
Aeromexico  
Air Europa  
Air France  
Alitalia  
China Southern Airlines  
Czech Airlines  
Delta Air Lines  
Kenya Airways  
KLM  
Korean Air  
TAROM  
Vietnam Airlines

And last month, Star Alliance approved the application of Ethiopian Airlines to join. Ethiopian will be the third African member following South African Airways and Egyptair.

The airline will add five countries – Chad, Congo, Djibouti, Mali and Niger – to the Star Alliance network.

Some industry observers think that most airlines in the world will eventually belong to one of four or five large alliances.

Others feel that One-world, Star and SkyTeam now have such advanced and established networks that it is hard to see how any other new alliances can emerge.

However, growth in India, China and South America is such that it is hard to predict how the world's airline alliance map will look in 10 years – or what the balance of consumer benefits will be.

# Mod cons and scenery all add to the allure of Lucerne

## Conferences

The destination has plans to rival cities such as Geneva as a venue for business, writes **Jill James**

As marketing and promotions manager for business development in Lucerne (Luzern in German), central Switzerland, Patrik Wermelinger steps where angels fear to tread.

However, welcoming Chinese investment in the Swiss watch industry may go too far for some. The launch of the Codex watch brand by Swiss Chronometric, which is backed by Chinese investors, does not meet with universal approval. But the pragmatic Mr Wermelinger says his small Swiss city must strengthen links with China. A shop sells Codex watches in the town centre.

“We are asking how we can co-operate, contribute and partner,” he says. “We are also talking to telecom, solar and steel companies from China.”

It is all part of a strategy to help Lucerne, a relative backwater, to develop as a business and meetings destination. Traditionally in the shadow of Bern, Basel, Zurich and Geneva, Lucerne wants a greater share of the conference and executive meetings market.

It is less than 40 minutes from Zurich airport by train and there is also a good motorway network.

Going to a conference in a beautiful resort has a certain appeal. But no amount of boutique hotels and folksy atmosphere can compensate for first-class business facilities, and the jewel in Lucerne's infrastructure is the culture and conference centre (KKL).

Designed by Jean Nouvel, a French architect, its flexible spaces on the edge of the lake give new meaning to the phrase “multi-purpose”.

There are three main spaces and a service wing in the SFR226m facility. The concert hall is home to the world-rated Lucerne festival in summer and the Rose d'Or, an important television festival, in May.

Its acoustic properties are highly thought of by professional musicians and its state-of-the-art audio-visual technology ensures equally high standards for conferences.

The concert hall can seat 1,900 and there is also a



Breathtaking space: the KKL centre is the jewel in the city's infrastructure crown

large balcony extension looking out over Lake Lucerne, known locally as the Vierwaldstättersee.

The Lucerne hall occupies the building's central space, with the museum of art and the congress centre – including an auditorium – next to the railway station. The hall has standing room for 1,600 and banqueting space for 850.

The auditorium, with its plush leather business seats, is an attractive prospect for meetings, seminars, lectures and readings for up to 270 people. There plenty of catering options for functions, in addition to the cen-

tre's bars and restaurants. Smaller lounges, club rooms, business and media rooms supplement the main facilities. There are also 1,000 parking spaces.

Close links with the healthcare and pharmaceutical industries mean the city is particularly suitable for hosting their conferences. It also has a well-educated, multilingual population with a strong commitment to the hospitality industry. Quality of life is high. Switzerland scores highly on income, healthcare, climate, political stability and safety.

The one problem Lucerne has is its lack of five-star hotels, although more are planned

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## Soap Box Dorian Harris

The worst piece of advice I was ever given was delivered by the headmaster at my junior school, Stan Flashman, or “Flasho” to us. “Cheats never prosper,” he would tell us solemnly and repeatedly.

Fortunately I paid scant attention to almost everything I was taught at school or, if I did listen, I'd go on to do the exact opposite. I started cheating from a very tender age at Jinx in the playground and went on all the way through O-levels and A-levels (no, not really dad, I'm just saying that here for effect: I got all those C grades on merit) and have continued right up to the present day.

It's now time to teach you. So, first, a primer on the hotel industry.

The people running this show are going out of their way to stop you cheating. A bit like Flasho but without the sardonic humour. They're very uncomfortable with the internet and all its inherent transparency when it comes to pricing.

They eventually worked out that you businesspeople had realised long ago – that the corporate rates you'd been paying for hotels were higher than the leisure rates, so you'd started using discount hotel sites to book your rooms. In other words they sussed out that you'd found a loophole and were already, deliberately or otherwise, cheating the system and, in doing so, you were hitting their profit margins.

This put them in a tricky position. It was hard to distinguish you from the jolly holidaymaker, so they couldn't easily charge you more.

After numerous heated debates around the boardroom table, the headmasters of the hotel industry hatched a plan. They couldn't single you out for detention or the cane, so they punished everyone. In practice, they started fixing the prices. In the trade we call it “rate parity”.

If you've ever wondered why all distributors of hotels are now selling rooms at exactly the same rate, there you have it. It's because of you.

It won't surprise you to learn at this stage that I'm not playing the game either. At Skoosh, we continue to misbehave as do a few of our naughty

classmates, as you'll find on price comparison sites.

The prefects at the hotel chains are running after us and threatening legal action and what have you. We're not scared though and neither should you be.

I reported rate parity to the Office of Fair Trading in April. In September, they opened a formal investigation into price fixing online. From my own standpoint, rate parity appears to be a flagrant abuse of competition law but is now ingrained in the hotel industry. I don't want to predict the outcome, but we can expect this to be the biggest price-fixing case the travel industry has seen.

For those of you with an academic bent, here's the legal context. We're all familiar with horizontal price fixing, where two direct competitors such as British Airways and Virgin were found to have agreed the price of fuel surcharges between them.

In the current legal case we have “resale price maintenance”. Here prices or distribution strategies are agreed vertically up and down the supply chain. Some big names, for example, sell rooms to wholesalers but won't allow them to sell on to anyone who sells online, because they don't want all and sundry getting hold of their discounted rates.

Another example concerns some booking websites' hotel contracts. These prevent hotels from allowing any of their other partners to have a lower public selling price. The rest of us retailers are therefore forced to raise our prices to the same level such players or to remove the contracted hotels from our sites.

To my mind, this is just as pernicious as horizontal price fixing, because you, the traveller, are precluded from seeing the discounted rates that were previously available to you.

As I say, not everyone is prepared to play the game. If you don't want to play it either, I'd strongly recommend you look around for sites which undercut the price fixing rate. Some might call it cheating. Others, prospering. Lesson over. Now go play.

Dorian Harris is chief executive of Skoosh.com

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“The kids will struggle with the language.”

*Last year's teacher*

43° N – Toronto, Canada

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